



[BILLING CODE 6760-01-P]

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

5 CFR Parts 1600 and 1650

Automatic Enrollment Program

AGENCY: Federal Retirement Thrift Investment Board.

ACTION: Proposed Rule.

SUMMARY: The Federal Retirement Thrift Investment Board (FRTIB) is proposing to amend its regulations to increase the automatic enrollment percentage from 3 percent to 5 percent of basic pay for all participants who are automatically enrolled in the Thrift Savings Plan (TSP) on or after October 1, 2020 and for Blended Retirement Service (BRS) participants who are automatically re-enrolled in the TSP on or after January 1, 2021. In addition, the FRTIB is proposing a non-substantive clarification regarding installment payments calculated based on life expectancy.

DATES: Comments must be received on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments using one of the following methods:

- Federal eRulemaking Portal:
<http://www.regulations.gov>. Follow the instructions for submitting comments.
- Fax: (202) 942-1676.
- Mail or Hand Deliver/Courier: Office of General Counsel, Attn: Megan G. Grumbine, Federal Retirement Thrift Investment Board, 77 K Street NE, Suite 1000, Washington, DC 20002.

FOR FURTHER INFORMATION CONTACT: Austen Townsend, (202) 864-8647.

SUPPLEMENTARY INFORMATION: The FRTIB administers the Thrift Savings Plan (TSP), which was established by the Federal Employees' Retirement System Act of 1986 (FERSA), Public Law 99-335, 100 Stat. 514. The TSP provisions of FERSA are codified, as amended, largely at 5 U.S.C. 8351 and 8401-79. The TSP is a tax-deferred retirement savings plan for federal civilian employees and members of the uniformed services. The TSP is similar to cash or deferred arrangements established for private-sector employees under section 401(k) of the Internal Revenue Code (26 U.S.C. 401(k)).

Automatic Enrollment

The Thrift Savings Plan Enhancement Act of 2009

authorized the FRTIB to add an automatic enrollment program for all Federal employees eligible to participate in the TSP. The National Defense Authorization Act for Fiscal Year 2016 extended the automatic enrollment program, with an additional automatic re-enrollment feature, to certain members of the uniformed services. Under the automatic enrollment program, the Executive Director has the statutory authority to select a default contribution rate for automatically enrolled participants that is no less than 2 percent and no more than 5 percent of basic pay.

Currently, the following participants are automatically enrolled in the TSP at the statutory default rate of 3 percent: (1) Federal Employees Retirement System (FERS) participants hired or rehired after July 31, 2010; (2) Civil Service Retirement System (CSRS) participants rehired after July 31, 2010; (3) members of the uniformed services who began serving on or after January 1, 2018 (BRS participants); and (4) rehired BRS participants (whether automatically enrolled or opt-ins). In addition, BRS participants subject to automatic enrollment who terminate their TSP contributions at any point during the year and do not elect to resume them by the last full pay period of the

year are automatically re-enrolled at a contribution rate of 3 percent as of January 1st of the following year.

The FRTIB proposes to increase the automatic enrollment rate and the automatic re-enrollment rate to 5 percent, effective October 1, 2020 and January 1, 2021, respectively. Participants who are automatically enrolled in the TSP as of September 30, 2020 will not be affected by the automatic enrollment rate increase. However, BRS participants who are automatically enrolled in the TSP as of September 30, 2020 and subsequently terminate their TSP contributions will be affected by the automatic re-enrollment rate increase unless they elect to resume TSP contributions by the last full pay period of the year. All participants may elect to change their contribution rates at any time by contacting their respective agencies.

The TSP's goal is to help federal employees and members of the uniformed services retire with dignity. As of December 31, 2018, 26 percent of TSP participants were contributing less than 5 percent to their accounts, which means they were not receiving the full amount of Agency/Service Matching Contributions they are entitled to. Increasing the rate to 5 percent not only increases the

amount that a participant saves from his or her basic pay, but also ensures that that participant receives the full amount of Agency/Service Matching Contributions he or she is entitled to, both of which will allow the participant, everything else being equal, to achieve significantly greater retirement savings.

Installment Payments Calculated Based on Life Expectancy

The FRTIB is proposing to amend its rule regarding installment payments calculated based on life expectancy to clarify that, for each year following the year in which the installment payments begin, the installment payment amount for the year will be calculated on the first installment payment date of that year.

Regulatory Flexibility Act

I certify that this regulation will not have a significant economic impact on a substantial number of small entities. This regulation will affect Federal employees, members of the uniformed services who participate in the TSP, and beneficiary participants.

Paperwork Reduction Act

I certify that these regulations do not require additional reporting under the criteria of the Paperwork

Reduction Act.

Unfunded Mandates Reform Act of 1995

Pursuant to the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 602, 632, 653, and 1501-1571, the effects of this regulation on state, local, and tribal governments and the private sector have been assessed. This regulation will not compel the expenditure in any one year of \$100 million or more by state, local, and tribal governments, in the aggregate, or by the private sector. Therefore, a statement under 2 U.S.C. 1532 is not required.

List of Subjects

5 CFR part 1600

Government employees, Pensions, Retirement.

5 CFR part 1650

Alimony, Claims, Government employees, Pensions, Retirement.

Ravindra Deo,

Executive Director,

Federal Retirement Thrift Investment Board

For the reasons stated in the preamble, the FRTIB proposes to amend 5 CFR Chapter VI as follows:

PART 1600 - EMPLOYEE CONTRIBUTION ELECTIONS, CONTRIBUTION ALLOCATIONS, AND AUTOMATIC ENROLLMENT PROGRAM

1. The authority citation will continue to read as follows:

Authority: 5 U.S.C. 8351, 8432(a), 8432(b), 8432(c), 8432(j), 8432d, 8474(b)(5) and (c)(1), and 8440e.

§ 1600.34 [Amended]

2. In § 1600.34, amend paragraphs (a), (b), and (c) by removing the term "3%" and adding the term "5%" in its place.

§ 1600.37 [Amended]

3. In § 1600.37, amend paragraph (a) by removing the term "3 percent" and adding the term "5 percent" in its place.

PART 1650 - METHODS OF WITHDRAWING FUNDS FROM THE THRIFT SAVINGS PLAN

4. The authority citation continues to read as follows:

Authority: 5 U.S.C. 8351, 8432d, 8433, 8434, 8435, 8474(b)(5) and 8474(c)(1).

5. Amend § 1650.13 by revising paragraph (a) (2) to read as follows:

§ 1650.13 Installment payments.

(a) * * *

(2) *An installment payment amount calculated based on life expectancy.* Payments based on life expectancy are determined using the factors set forth in the Internal Revenue Service life expectancy tables codified at 26 CFR 1.401(a)(9)-9, Q&A 1 and 2. The installment payment amount is calculated by dividing the account balance by the factor from the IRS life expectancy tables based upon the participant's age as of his or her birthday in the year payments are to begin. This amount is then divided by the number of installment payments to be made per calendar year to yield the installment payment amount. In subsequent years, the installment payment amount is recalculated on the first installment payment date of the year by dividing the prior December 31 account balance by the factor in the IRS life expectancy tables based upon the participant's age as of his or her birthday in the year payments will be made. There is no minimum amount for an installment payment calculated based on this method.

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[FR Doc. 2020-03102 Filed: 2/14/2020 8:45 am; Publication Date: 2/18/2020]